

## **The Corporate Law Amendment Act 2006 ("Amendment Act 2006")**

The Amendment Act was passed into law in December 2007 and will have significant impacts on South African based companies of all sizes as the Companies Act 61 of 1973 is overhauled for modernization. The existing Companies Act is more than 30 years old - there has been an urgent need to reform South African company law in order to bring it in line with international best practice and to enhance transparency and good corporate governance. There have been two stages to align South African company law with modern trends - these can be traced within the *Amendment Act* and the new *Companies Bill*.

Whilst the Amendment Act has now been enacted, the Companies Bill is expected to replace the existing Companies Act 61 of 1973 and take effect in 2010.

Although 2010 may seem far off, South African companies ought to consider the implications of the new Companies Bill now - the changes expected within the new classification of companies, their structures, including the additional liabilities of directors needs clear understanding. The changes introduce new and more stringent requirements in respect of risk management, financial statements, financial controls and the auditors in respect of widely-held companies. Further, company officers (directors and senior management) will need to clearly understand their fiduciary duties, particularly as the new Companies Bill has completely revamped the way companies are formed and the way company officers will be expected to conduct their affairs within the companies in which they have been entrusted to manage and direct.

To assist companies to prepare its management to understand the wider nuances of corporate governance, including the implications of the law reform in South Africa, CGF Research Institute (Pty) Ltd provides a high level Corporate Governance Awareness presentation to contextualize these matters. Company secretariat and HR practitioners will need to familiarize themselves with these matters in order to convey the information to their company officers and mitigate unnecessary exposure.

This newsletter has been supplied courtesy of CGF Research Institute (Pty) Ltd, a strategic associate of BarrySpitz.Com World Services.

A PowerPoint report covering this topic can be purchased through CGF at [www.cgf.co.za](http://www.cgf.co.za)

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